

EXHIBIT “A”

**EXHIBIT “A” TO DECLARATION OF RICHARD SCHWALBE,
ACTING CHAPTER 11 TRUSTEE, IN SUPPORT OF
U.S. TRUSTEE’S MOTION TO CONVERT CASE TO CHAPTER 7**

Trustee’s Activities re Lohrey Enterprises, Inc.

Thursday, November 6, 2008

- Received telephone call from Jim Shepard of US Trustee’s Office concerning this case.
- Reviewed case filings on Pacer and internet

Friday, November 7, 2008

- Met with US Trustee’s office in San Francisco to discuss this case and possible appointment as Trustee.
- Reviewed case filings and some historic materials from Lohrey Enterprises.
- Appointment as Chapter Trustee approved at hearing on U.S. Trustee’s motion for appointment.
- Contacted experienced legal counsel to clear possible conflicts concerning case representation.

Saturday, November 8, 2008

- Reviewed case material received from Jim Shepard (11 emails and attachments).
- Contacted attorneys for senior secured lender, Wells Fargo, and Tri State (a secured and unsecured creditor) and discussed case issues.
- Attempted to contact attorney for Debtor.

Sunday, November 9, 2008

- Reviewed 40 documents and email received from Katherine Windler, attorney for Wells Fargo and Tri State.
- Started assembling list of possible forensic accountants, whose services may be needed.

Monday, November 10, 2008

- Discussed case by phone on separate calls with Mike Fallon (Debtor’s counsel), Katherine Windler (Wells Fargo and Tri State counsel), Bill Owens (principal of Owens Financial, largest creditor), Jimmy Mosley, Henry Lopez and Ann Lohrey (Debtor employees), David Lohrey (Debtor owner), Laura Palazzolo (attorney for City of Gilroy – water service), Irma Navarro (City of Gilroy, water), Harmony Lohrey (wife of owner), Mark Palley (Kaiser) and other creditors. Many expressed concerns regarding the Debtor’s misappropriation of funds of the estate and failure to pay wages.
- David Lohrey attempts to deliver a \$25,000 company check to the City of Gilroy, which the refuses it, demanding certified funds. Mr. Lohrey calls me by telephone and states that he will remit certified funds to the City of Gilroy by 5:00 p.m. I ask him if there are sufficient funds for a certified check, he tells me there are not.

- Negotiated with the City of Gilroy to continue water service through end of day Wednesday. The City had threatened to terminate service at end of day Monday.
- Completed bonding and a portion of documentation needed by the bankruptcy Court.
- Discussed possible representation with Patricia H. Lyon of French & Lyon. Decision to retain services will depend on clearing conflicts and determination whether case should be converted to Chapter 7.

Tuesday, November 11, 2008 (Veterans Day, a bank holiday)

- Met with Bill Owens (largest creditor). Norm Berlin (senior sales manager for Debtor) was present. We discussed Debtor history, Debtor personnel, market conditions and competitive landscape. Mr. Owens requested certain information that Owens Financial might need to consider supplying Debtor in possession financing and/or a future role in the Debtor.
- Met with Renee Bannon and David Lohrey at the Gilroy facility. Mr. Lohrey promised to provide copies of customer contracts and financing documents that were not present; but that Mr. Lohrey claimed were on the premises. Renee Bannon stated the documents were at the Sausalito office. I made arrangements to meet with Mr. Lohrey at the Sausalito office the following day.
- Discovered that Mr. Lohrey was still signing checks (but with insufficient funds in the accounts) and was told that Mr. Lohrey told the workers in the facility to close down all operations and leave immediately and not return.
- Determined that the company's computerized record keeping was far out of date and I noticed a number of missing and inaccurate items on income statements and balance sheet. The list of accounts receivable proved to be seriously inaccurate. Allegations were made that Mr. Lohrey used company funds to pay personal expenses and expenses of Lohrey Investments and Housing International as well as other personal items. Investigation regarding these allegations is continuing.

Wednesday, November 12, 2008

- Completed ECF training for bankruptcy Court.
- Discussed payments of account due with Kaiser, which agreed to pay \$40,000 on Thursday (it was later determined that Mr. Lohrey had received this payment). Entered into negotiations for the lease of 500 laundry carts to Kaiser, subject to Court approval.
- Met with David Lohrey and Ray Taylor (head of sales and an employee of Housing International who lives in Southern California). The promised documents were still not made available. I handed termination letters to both David Lohrey and Mr. Taylor and requested immediate surrender of all company assets, and that they cease and desist from engaging in further activities on behalf of the Debtor.
- Changed the locks on the Sausalito office.
- Searched facility for financing documents and other critical company data, with limited success.

Thursday, November 13, 2008

- Closed existing bank accounts at Wells Fargo and Bank of the West; opened new Trustee account at Bank of the West. Two accounts at Bank of America have deficit balances and BofA cannot be close them but will “block” the accounts.
- Discussed possible sale of the Gilroy facility with Bryan Cohen of The Laundry List, a broker and used equipment dealer of laundry equipment.
- The City of Gilroy discontinued water service until a \$30,000 deposit is made; the City declines to accept a check from a major hotel/customer.
- Met with Sherri Becker, the Debtor’s former controller, to discuss allegations of improper transfer of funds from the Debtor’s accounts.
- At the Gilroy facility, I discussed on-going costs with employees and worked on an estimated operating budget. Due to lack of records, I am unable to determine the amount of unpaid expenses incurred post-petition.
- Discussed amounts owed by the Debtor with various creditors.

Friday, November 14, 2008

- Delivered check for water services to the City of Gilroy. I toured the Gilroy facility with City building inspectors, which must approve the facility before water service is restored. The inspection is approved although a number of (relatively minor) prior issues had not been corrected. One of the three buildings on the property had been condemned/red-tagged several years ago.
- According to various employees, they had been told by Mr. Lohrey that they could expect to receive pay checks. As no funds are available for payment to employees, I remained on site to inform employees there would be no paychecks at this time.
- Discussed amounts due with GLC/Podium Leasing.
- Discussion with Mike Fallon (Debtor counsel) concerning schedules, non-payment of on-going expenses.
- Further discussions with Wells Fargo and Kaiser concerning the need for current information regarding expenses and receivables.
- Discussion with Western Design concerning \$1.1 million of equipment ordered by Debtor and a \$550,000 deposit Mr. Lohrey claimed to have paid with Debtor’s funds. I did not receive the information I requested.
- Met with Bill Owens (Owens Group) and Paul Marangella to discuss the possible acquisition of the Debtor by Owens Group and documentation issues. We discussed the possibility of DIP financing. Mr. Owens took the matter under consideration.

Saturday, November 15, 2008

- Discussed alternatives and back-up plans with several customers.
- Prepared report to Jim Shepherd of US Trustees office.
- Reviewed operating budget for West Coast Linen (Debtor).

Sunday, November 16, 2008

- Reviewed potential investor/buyer information.
- Compiled list of potential buyers, contact information

Monday, November 17, 2008

- Met with Wells Fargo concerning collections of Accounts Receivable.
- Telephone calls with PG&E (shut off notice and deposit required), grace period extended.
- Call with Westin Hotel about possible early payment.
- Call with Bill Owens concerning possible sale of company.
- Call with Brian Cohen, possible sale of company.
- Call with creditor MCI Leasing, I need copies of documents.
- Call with Creditor Daimler, permission to pick up three surplus vehicles, two at unknown locations
- Discussed options with Jim Shepherd.
- Obtain waiver from Wells Fargo.
- Reviewed accounts receivable with Debtor staff.
- Discussed possible payment with Kaiser and unfilled past promises.

Tuesday, November 18, 2008

- Reviewed water deposit requirements with City of Gilroy.
- Discussed Tri State conditions for possible decision to purchase Debtor.
- Reviewed proforma operating budget with Paul M. (on behalf of Owens Group). Staff input and historic cost review to refine and gain confidence in budget. It is determined that actual operating costs are 43 to 44 cents per pound while average contract provides revenues of 34 cents per pound.
- Extensive discussions with Owens Group concerning possible operational improvements and possibility of reaching breakeven. Owens Group declines to move forward with a purchase of the Debtor.
- Extensive meeting with work force and local community activist, Jose Chapa of California Rural Legal Assistance
- Discussion with staff of location of vehicles on Daimler lease.
- Review of competitors' cost structures to try to understand why Debtor has large negative operating margins; preliminary assessment is that Debtor's customers are too far from facility and equipment is inefficient and poorly matched between capacity of washing, drying and other operations.
- Discussion with GLC leasing creditor
- Discussion with Chris Gaber of Angelica (competitor) about possible acquisition of Debtor. Angelica is not interested.
- Discussion with Kaiser concerning return of carts.
- Discussion with City of Gilroy and time of water shut off, which is extended to complete work on hand.

- Meeting with Tom Bulello for following day, Tom represents a possible buyer of Debtor.
- Discussion with Pat Lyon (legal counsel) and Jim Shepherd concerning next steps.